

Remuneration Report as per the Remuneration Policy

established for the Directors of

ALTEO Nyrt. and consolidated on April 19, 2021

BOD proposal

1. The purpose of the Remuneration Report

ALTEO Energiaszolgáltató Nyilvánosan Működő Részvénytársaság (hereinafter: “ALTEO” or “Company”) has established a remuneration policy applicable to its Directors, the current version of which was amended in a consolidated form on April 19, 2021 (hereinafter: “Remuneration Policy”). The purpose of the Remuneration Policy is to ensure compliance with Act LXVII of 2019 on the Encouragement of Long-Term Shareholder Engagement and the Amendment of Certain Acts with a View to Legal Harmonization (hereinafter: “Act”), and is available at the following link:

https://www.bet.hu/newkibdata/128550286/ALTEO_javpol_20210419.pdf

The purpose of the Remuneration Report is to provide an overview (along the principles detailed in the Remuneration Policy) of the remuneration, including all benefits in whatever form, awarded to Directors in accordance with the Remuneration Policy during, or based on the results of, the previous fiscal year, as well as the elements mandatorily set out in Sections 19(2) and (3) of the Act, while respecting the applicable data protection rules.

However, words which are used in this Remuneration Report with capital initials, but are not defined herein have the meaning assigned to them in the Remuneration Policy.

2. Introduction

For an appropriate interpretation of the Remuneration Report, ALTEO's performance in 2021 and the key events that have occurred at the Company need to be presented, including a description of the key factors impacting remuneration, such as the circumstances affecting ALTEO's business environment that have changed in the recent period and which have had an impact on remuneration.

ALTEO achieved the highest figures in its history in 2021. The outstanding results confirm the success and effectiveness of the strategy presented at the end of 2019 and its implementation which, in addition to business aspects, also emphasizes environmental and social sustainability.

ALTEO's financial performance in 2021 was significantly impacted by favorable market conditions, the extremely high balancing prices observed during the year and the exceptionally high energy prices and their volatility, especially in the second half of the year. Partly as a result of the above, ALTEO's EBITDA in 2021 shows a value significantly above management's EBITDA capacity estimate published in January 2022 and is around the upper band of its capacity volatility range as estimated by management, with a value close to HUF 12.9 billion.

The record profitability was primarily driven by the highly successful activities of the Virtual Power Plant, a key area of ALTEO's strategy and development, but was also supported by a strong rebound in the retail business – which was most affected by the COVID pandemic in 2020 – and the renewable energy-based energy production business which also saw capacity expansion last year.

Consolidated EBITDA increased by 134% in 2021 and is close to HUF 12.9 billion year-on-year, primarily (i) on account of the remarkable profitability of the virtual power plant controlling heat and electricity generation, which was positively supported by the expansion of the power plant portfolio's gas engine capacities in 2020 with an additional 18 MW and the price increase in the global market, (ii) within the subsidized electricity generation segment, the surplus profits of the 15 MW wind farm acquired by ALTEO Group in October 2020 and the reconstructed Gibárt Hydropower Plant, and (iii) the outstanding, record profits of the Energy Retail segment (which was hit the hardest by the pandemic) which were also impacted by the rise of global market prices.

The consolidated net profit was HUF 5.9 billion, another record in ALTEO's history, showing an 892% increase over the same period last year.

The pandemic only caused a slight deceleration in respect of the Waste Management, E-mobility and Renewable Production Management business lines. The increase in balancing energy prices has brought some challenges for the Renewable Production Management business, but has not had a significant negative impact.

On November 3, ALTEO commissioned a new energy storage facility with a capacity of 5 MW at the Kazincbarcika Heating Power Plant. In this context, ALTEO was previously awarded a non-reimbursable grant of HUF 227.8 million and a preferential interest loan HUF 249.7 million from the European Union.

In 2021, ALTEO Group was awarded a grant of more than HUF 400 million for a new R&D project which is a good example of ALTEO's innovation efforts. The aim of the project is to develop a highly automated, artificial intelligence-based energy engineering IT system capable of making autonomous generation and commercial decisions to manage and optimize “smart” electricity generation in power plants.

ALTEO was also able to renew key contracts with several important partners. In the fall of 2021, the Company renewed the Kazincbarcika heat supply contract with an important heat sales partner for ALTEO's energy production business, until September 30, 2031. Once the statement of financial position was completed, in January 2022 the Company renewed its operation and maintenance contract for another 15 years with one of its key operating partners, BC Power Plant owned by BorsodChem Zrt.

In July 2021, Scope Ratings again confirmed the previous rating (BBB-) of ALTEO's bonds.

Key events after the closing of the year, not specified above:

- In January 2022, ALTEO published its updated strategy.
- In February 2022, ALTEO obtained its first ESG certification. ALTEO has voluntarily undertaken to have the certification carried out on its own initiative. The analysis prepared highlights that the industry is fundamentally exposed to higher risk and, as such, the company's exposure necessarily falls into a higher category. At the same time, the rating also considers how the company responds to the risks arising from its operations and how it manages their impact. In respect of the latter, ALTEO has been rated as having strong risk management in place: it has introduced robust ESG programs, practices and policies to effectively control and mitigate existing risks. In the area of sustainability, it should be noted that in 2022, ALTEO won the Deloitte Green Frog Award, given to the best sustainability report in Hungary.
- In February 2022, based on its 2021 performance, ALTEO won 3 awards at the Best of BSE Awards: The Issuer of the Year with the Highest Share Price Increase in the Premium Category (shared), as well as the Responsibility, Sustainability, Corporate Governance Award (shared) and the Issuer Transparency Midcap Award.

DESCRIPTION OF THE CIRCUMSTANCES AFFECTING REMUNERATION

In 2021, the key events in the Company's business environment impacting the Directors' remuneration and the most significant changes in the composition of the Directors, the Remuneration Policy or the application thereof are summarized below:

- the appointment of Anita Simon, Deputy CEO for Sustainability and Circular Economy;
- basic salaries changed in the normal annual pay rise cycle;
- there were no changes in the application of the Remuneration Policy or other wage elements during the year;
- in 2022, we will (also) be able to carry out market benchmarking based on the KornFerry job evaluation system.

Additional and more detailed information on the key facts and developments in performance and the business environment, as well as the main decisions that have and may have affected remuneration in 2021 and to date so far in 2022, are summarized below:

There are significant upward wage pressures in the labor market: the supply side still appears narrower and trends do not seem to be reversing for the time being, with unemployment rates remaining low. High inflation and a rising interest rate environment are eroding the wage hikes received so far, and within inflation, the price of widely and regularly purchased consumer goods (e.g. food, fuel) is rising most dramatically, and thus we are experiencing inflation directly. The increase in the minimum wage and the guaranteed minimum wage will have an impact on almost all wage levels. Temporary or one-off measures (e.g. tax rebates or tax exemptions for under-25s) have only a temporary effect or only have an impact on a narrow target group.

3. Full remuneration of Directors

This chapter presents the full remuneration scheme available to Directors for each position of Directors broken down as per the Remuneration Policy, except for share award, which is detailed in Chapter 4. The remuneration figures presented in this chapter are gross accounted data.

3.1. Remuneration provided to non-executive members of the Board of Directors

Name and position of director	Fixed remuneration element			Variable remuneration elements	Extraordinary reward	Pension	Full remuneration	Ratio of fixed and variable remuneration elements
	Base wage and other wage supplements, fees due pursuant to the Labor Code	Honorarium	Benefits in kind ¹	Annual bonus				
Gyula Zoltán Mező, Chairman of the Board of Directors	N/A	HUF 3,600,000	N/A	N/A	N/A	N/A	HUF 3,600,000	N/A
Zsolt Müllner, Member of the	N/A	HUF 3,000,000	N/A	N/A	N/A	N/A	HUF 3,000,000	N/A

¹ The benefits in kind described in the Remuneration Policy, such as Cafeteria, health and accident insurance, use of company car, fuel reimbursement, other low-value benefits, reimbursement of expenses, are presented as benefits in kind in this Remuneration Report

Name and position of director	Fixed remuneration element			Variable remuneration elements	Extraordinary reward	Pension	Full remuneration	Ratio of fixed and variable remuneration elements
	Base wage and other wage supplements, fees due pursuant to the Labor Code	Honorarium	Benefits in kind ¹	Annual bonus				
Board of Directors								
Ferenc Karvalits, Member of the Board of Directors	N/A	HUF 2,400,000	N/A	N/A	N/A	N/A	HUF 2,400,000	N/A

3.2. Remuneration provided to executive members of the Board of Directors

Name and position of director	Fixed remuneration element			Variable remuneration elements	Extraordinary reward	Pension	Full remuneration	Ratio of fixed and variable remuneration elements
	Base wage and other wage supplements, fees due pursuant to the Labor Code	Honorarium	Benefits in kind ²	Annual bonus ³				
Attila László Chikán, Chief Executive Officer	HUF 26,762,400	HUF 3,000,000	HUF 8,078,970	HUF 23,809,920		HUF 1,605,744	HUF 63,257,034	62.9%
Domonkos Kovács, Member of the Board of Directors, Deputy CEO, M&A and Capital Markets	HUF 18,666,000	HUF 3,000,000	HUF 5,145,774	HUF 12,999,600		HUF 1,119,960	HUF 40,931,334	48.5%

² See Footnote 1.

³ In this Remuneration Report, the amount of the bonus given to Directors is presented on the basis of the 2021 targets, assuming 100% achievement (estimate).

3.3. Remuneration provided to the Supervisory Board

Name and position of director	Fixed remuneration element			Variable remuneration elements	Extraordinary reward	Pension	Full remuneration	Ratio of fixed and variable remuneration elements
	Base wage and other wage supplements, fees due pursuant to the Labor Code	Honorarium	Benefits in kind ⁴	Annual bonus				
István Zsigmond Bakács, Chairman of the Supervisory Board and the Audit Committee	N/A	HUF 3,000,000	N/A	N/A	N/A	N/A	HUF 3,000,000	N/A
Dr. János Lukács, Member of the Supervisory Board and the Audit Committee	N/A	HUF 2,400,000	N/A	N/A	N/A	N/A	HUF 2,400,000	N/A
Dr. István Borbíró, Member of the Supervisory Board and the Audit Committee	N/A	HUF 2,400,000	N/A	N/A	N/A	N/A	HUF 2,400,000	N/A
Péter Jancsó, Member of the Supervisory Board	N/A	HUF 2,400,000	N/A	N/A	N/A	N/A	HUF 2,400,000	N/A
Attila Gyula, Member of the Supervisory Board	N/A	HUF 2,400,000	N/A	N/A	N/A	N/A	HUF 2,400,000	N/A

3.4. Remuneration provided to Directors who are not members of ALTEO's Board of Directors or Supervisory Board

Name and position of director	Fixed remuneration element			Variable remuneration elements	Extraordinary reward	Pension	Full remuneration	Ratio of fixed and variable remuneration elements
	Base wage and other wage supplements, fees due pursuant to the Labor Code	Honorarium	Benefits in kind ⁵	Annual bonus ⁶				
Zoltán Bodnár, Chief Financial Officer	HUF 26,920,800		HUF 4,971,776	HUF 16,152,480		HUF 1,615,248	HUF 49,660,304	50.6%
Péter Luczay, Deputy CEO for Production Management and Business Development	HUF 28,137,857		HUF 5,792,736	HUF 19,305,000	HUF 29,700,000	HUF 1,701,000	HUF 84,636,593	56.9%
Viktor Varga, Deputy CEO for Energy Production and Energy Supply	HUF 21,285,600		HUF 7,980,912	HUF 12,771,360	HUF 1,793,800	HUF 1,277,136	HUF 45,108,808	43.6%
Anita Simon, Deputy CEO for Sustainability and Circular Economy ⁷	HUF 16,773,600		HUF 5,572,977	HUF 8,386,800			HUF 30,733,377	37.5%

⁴ See Footnote 1.

⁵ See Footnote 1.

⁶ In this Remuneration Report, the amount of the bonus given to Directors is presented on the basis of the 2021 targets, assuming 100% achievement (estimate).

⁷ Appointed as of June 1, 2021, the remuneration figures apply to the whole of 2021 in her case as well

Additional information: with reference to Section 13 of the Remuneration Policy, the Company has reserved the right, in certain cases and under certain conditions, to grant to its Directors remuneration that is not fully in line with the provisions of the Remuneration Policy. Such remuneration includes a loan of HUF 15,000,000 granted by the Company, as employer to Peter Luczay under an employer loan agreement concluded on 9/3/2018, and a loan of HUF 5,000,000 to Viktor Varga under an agreement concluded on 5/11/2016, both with market-based interest rates. The repayment of the two loan agreements is in progress, and the parties involved receive a statement letter each year informing them of the outstanding balance. The loan agreements were concluded prior to the effective date of the Remuneration Policy, and were not illegal or unethical at the time they were concluded. As such, the conditions set out in Section 13 of the Remuneration Policy are met.

4. Share-based remuneration

4.1. Employee share award program

Under the Employee Share Award Program described in Section 7.1 of the Remuneration Policy, the following internal Directors have received a share award:

Name and position of director	Legal title of remuneration	Remuneration/benefit
Domonkos Kovács, Member of the Board of Directors, Deputy CEO, M&A and Capital Markets	Loyalty award, in respect of length of service with ALTEO	ALTEO ordinary shares equivalent to HUF 50,000

4.2. Share award to Directors

On December 21, 2020, the Company as Founder adopted the 2020 share award program of ALTEO's Employee Share Ownership Program Organization (hereinafter the "**ESOP Organization**"), and on the same day it also published the remuneration policy serving as a basis thereof (hereinafter the "**ESOP RP**"). Pursuant to the ESOP RP, internal Board members Domonkos Kovács and Attila Chikán are also eligible for the share award, and all of the Company's Deputy CEOs participate in the 2020 program. With a view to the fact that the responsibility of determining the remuneration for the members of the Board of Directors falls under the competence of the General Meeting, and that the remuneration for Deputy CEOs may only be paid on the basis of this Remuneration Policy, the General Meeting adopted Resolution No. 6/2021. (IV.19) which approved that the aforementioned people receive the share award specified in the ESOP RP if the criteria set out therein are met.

Pursuant to the ESOP RP, the shares available when the criteria are met, may be distributed after the closing of the 2022 fiscal year of the Company (following the adoption of the consolidated financial statement), and as such no eligible Directors received a share award in 2021.

The ESOP RP is available at the following link:

https://www.bet.hu/newkibdata/128507470/ALTEO_2020_evi_MRP_Jav_Pol_20201221.pdf

4.3. Other share award

Sections 7.2 and 13 of the Remuneration Policy stated that the Company launched a share program under the auspices of the ALTEO ESOP Organization in 2016 which, however, does not qualify as

an item covered by the Remuneration Policy due to the principles described in Section 13 of the Remuneration Policy. However, the Company is required to report the shares allocated to eligible Directors under such share program in this Remuneration Report. The summary is presented in the table below:

Name and position of director	Share award (ALTEO ordinary share, number of shares)
Attila László Chikán, Chief Executive Officer	346,512
Domonkos Kovács, Member of the Board of Directors, Deputy CEO, M&A and Capital Markets	192,504
Péter Luczay, Deputy CEO for Production Management and Business Development	24,000
Viktor Varga, Deputy CEO for Energy Production and Energy Supply	24,000

5. Enforcement of clawback rights

In 2021, the Company did not exercise its clawback rights in Section 8.3 of the Remuneration Policy against any of its Directors.

6. Compliance with the Remuneration Policy, evaluation of individual performance

In 2021, the Directors of the Company received only the remuneration and benefits detailed in the Remuneration Policy, subject to the terms and conditions described therein.

The long-term objectives for the Directors of the Company, which are aligned with the Company's business objectives, are set out in the ESOP RP as specified in Section 4.2. They are described in detail in the referenced Section and in the documents referred to above.

7. Deviations from the Remuneration Policy and its implementation procedure

In 2021, the Company has not deviated from the principles set out in the Remuneration Policy in relation to remunerations provided to Directors.

8. Comparative information on changes in remuneration and company performance

Report for the current year, HUF million	2017	2018	2019	2020	2021
Headcount (year-end)	210	248	231	260	273
Personnel expenses	2,154	2,507	2,858	3,770	4,082
EBITDA	1,799	1,801	3,779	5,512	11,837
Inflation	2.4%	2.8%	3.4%	3.3%	4.7%
ALTEO wage hike limit	4.0%	3.0%	12.0%	8.0%	4.0%

Our existing team is a key part of our past success and growth, and preserving our values and expertise is the key to our future success. The main indicators show a positive trend: ALTEO's growth is accelerating, while the increase in personnel expenses is slowing down. Business growth has been the main driver of the increase in staff numbers in recent years: Waste Management business, E-mobility business, the launch of the Renewable Production Management business, renewed long-term contracts with our business partners, etc. Salary increases have been in line with market levels, cumulatively multiplied by the annual rate of inflation, with a differential tracking of market movements. In establishing the wage hike limit, external and internal competitiveness factors

and individual performance are taken into account, in addition to macroeconomic indicators and market benchmarks. The remuneration of members of the Board of Directors is also reviewed as part of this process, as part of the annual cycle.

9. Information on the taking into account of the previous decision of the General Meeting

At the last General Meeting, no opinions were voiced or decisions taken in the context of the advisory vote on the Remuneration Policy that the Company should have taken into account in the preparation of this Remuneration Report.

This Remuneration Report was approved by the Company's General Meeting with its resolution adopted on .../April 19, 2022.

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